



**The Governor's Committee
to Study Declining Enrollment
in Small School Districts**

**FINDINGS
AND
RECOMMENDATIONS**

March 2002



Findings and Recommendations of the Governor's Committee to Study Declining Enrollment in Small School Districts

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EXECUTIVE SUMMARY

Michigan has the 6th largest rural population in the United States, with more than 2.8 million residents, or 30 percent of the state's population, living in rural areas. Twenty-two percent of public schools are in rural areas.

In smaller, less economically developed areas, declining community populations have resulted in a drop in student numbers and, therefore, a reduction in available per pupil revenues. Through no fault of their own, schools located in these communities now find themselves making substantial budget cuts or facing deficits in the near future.

The Michigan Legislature sought to address this problem in its FY 2001 School Aid budget (see language in Appendix). Specifically, lawmakers adopted a provision that based these districts' payments upon the higher of the current year pupil membership or an average of the most recent three years' pupil counts. This mechanism essentially gave small schools (less than 1,500 students in grades K-12) with declining enrollments the ability to receive per pupil funding for the students that had left the district in an effort to minimize the impact of the revenue loss.

Seeking to ensure a long term, cost-effective approach to this problem, the Governor agreed to leave this solution in place for FY 2001. However, he vetoed the FY 2002 and 2003 appropriations for this purpose, preferring instead to establish a study committee that would examine how to restructure the delivery and administration of services and programs in these small, declining-enrollment districts.

The study committee found that small school districts with declining enrollment are, generally speaking, situated near one another in several geographic regions throughout Michigan. The primary reasons cited by districts for their declining enrollment situations were (i) low birth rates and (ii) the loss or lack of industry within the school district's geographic boundaries.

The testimony provided by officials from small declining-enrollment districts indicates that most affected school districts have implemented multi-pronged approaches to their financial issues. These approaches incorporate necessary budget cuts, program alterations, utilization of cash reserves, outsourcing and collaboration. Distance learning and other high-tech approaches to instruction also have been utilized.

The study committee found that school officials had a wide array of ideas for dealing with declining enrollment problems. These proposed solutions ran the gamut of possibilities and were difficult to categorize; in fact, in many instances the survey respondents directly contradicted one another, a fact which seems to emphasize the complexity of the problem.

After reviewing all of the available information, the study committee arrived at the following ten recommendations:

- The Michigan Virtual University/Michigan Virtual High School and e-Michigan should work together to establish a rural schools electronic network to provide small declining enrollment districts with alternative solutions to gain greater access to instructional and professional development services;
- Rural school districts and the communities that surround them should utilize a new program created by the Michigan Economic Development Corporation called the Community Assistance Team which can assist communities in developing strategic plans to improve economic and community growth;
- State lawmakers and other officials should work to refine the formula and fund sparsity supplement within school aid act;
- Intermediate school districts (ISDs) should help small, rural school districts that have large geographic boundaries explore alternative methods of providing educational services and administrative services;
- Small, declining-enrollment districts should work to establish cooperative arrangements for the performance of various administrative functions;
- State colleges of education should offer coursework in rural education methods;
- Certain school districts should be authorized to hire “adjunct” faculty members;
- The Michigan Department of Education should provide assistance to rural school districts so they may fully benefit from the new rural schools provisions contained in the reauthorization of the Elementary and Secondary Education Act;
- The Legislature should establish minimum standards for ISD provision of services to local districts;

- The Department of Education should seek to determine the cost savings that might result if pupil accounting reporting methods were modified for school districts with fewer than 600 students;
- The Legislature should seek to provide incentives to districts that consolidate by authorizing the use of the foundation allowance of the district that receives more money per pupil;
- Small, declining-enrollment districts should aggressively pursue classroom arrangements that incorporate multi-age and multi-grade configurations and possible sharing of teaching staff;
- The research and study of rural education issues should not conclude with the presentation of this report. Academicians and educational specialists throughout Michigan are urged to consider this issue carefully; and
- Finally, we suggest that the Legislature consider revisiting the blended pupil count formula in order to provide greater equity for all schools.

BACKGROUND INFORMATION

Michigan has the 6th largest rural population in the United States, with more than 2.8 million residents, or 30 percent of the state's population, living in rural areas. Twenty-two percent of public schools are in rural areas.

In 1994, Michigan voters overwhelmingly approved Proposal A, which restructured the way public schools are funded. Schools no longer rely primarily on local property tax revenues, which can be difficult to raise, vary substantially between districts and lead to disparities in the educational opportunities available for Michigan children. Instead, schools receive dollars on a per-pupil basis in the form of a state foundation allowance.

In the years since Proposal A was adopted, schools have realized a more stable funding source that is not reliant upon the outcome of local millage elections. In addition, the funding gap between high-spending and low-spending districts has been reduced, resulting in more equity for school children in the state. Finally, since Michigan schools now receive revenue on a per-pupil basis and school choice became available, added emphasis has been placed on attracting and retaining students with high-quality academic programs.

Unfortunately, the market efficiencies brought about in connection with Proposal A have magnified a problem that exists for many of Michigan's rural schools. In smaller, less economically developed areas, declining community populations have resulted in a drop in student numbers and, therefore, a reduction in available per pupil revenues. Through no fault of their own, these schools now find themselves making substantial budget cuts or facing deficits in the near future.

The Michigan Legislature sought to address this problem in its FY 2001 School Aid budget (see language in Appendix). Specifically, lawmakers adopted a provision that based these districts' payments upon the higher of the current year pupil membership or an average of the most recent three years' pupil counts. This mechanism essentially gave small schools (less than 1,500 students in grades K-12) with declining enrollments the ability to receive per pupil funding for the students that had left the district in an effort to minimize the impact of the revenue loss.

The language adopted by the Legislature would have provided this option to affected districts for three consecutive years, costing state taxpayers an estimated \$50 million through FY 2003. This additional expenditure resulted, in part, from the need to essentially pay two foundation allowances for the same student: one foundation allowance for the school that the pupil is now attending, and one for the small, declining-enrollment school district that the pupil has left.

Seeking to ensure a long term, cost-effective approach to this problem, the Governor agreed to leave this solution in place for FY 2001. However, he vetoed the FY 2002 and 2003 appropriations for this purpose, preferring instead to “establish... a study committee to examine how to restructure the delivery and administration of services and programs in these small, declining-enrollment districts to provide maximum educational opportunities to students in the most cost-efficient manner possible.”¹

The study committee was named in the spring of 2001. Its members were drawn from the Governor’s office and various state agencies, as follows:

- **Scott Jenkins***, Governor’s Education Policy Advisor
- **Nancy Davis**, Director, Michigan Virtual High School
- **Robert Filka**, Vice President of Strategic Initiatives, Michigan Economic Development Corporation
- **Robbie Jameson**, Director, Office of Education and Infrastructure, State Budget office Michigan Department of Management and Budget
- **Glenda Rader**, Public School Finance, Office of State Aid and School Support Services, Michigan Department of Education
- **Stephanie Van Koevering**, Special Assistant to the State Treasurer, Michigan Department of Treasury

The members of the study committee were charged with all of the following duties:

- Gathering information about the needs and concerns of small school districts with declining enrollments, and listening and evaluating any solutions they themselves might propose;
- Examining how the Michigan Virtual High School, long distance learning, and other technologies may expand the educational options of students in small districts;
- Reviewing ways in which restructuring of small, declining-enrollment districts’ administrative processes and service delivery may result in greater practical and economic efficiencies;
- Examining how academic collaboration with other districts, intermediate districts, postsecondary institutions, and the private sector may result in more cost-efficient delivery of services and programs;
- Examining any other methods by which small, declining-enrollment districts may offer a broad range of educational opportunities to a small number of students in an environment of declining enrollment and constrained resources; and

¹ Governor John Engler, Veto Message to the Michigan Senate concerning Senate Bill 1044, dated 26 July 2000.

* Denotes Chair

- Reporting their findings and recommendations to the Governor and the public.

The study committee developed and administered an initial survey involving all small school districts with declining enrollments. The purpose of the survey was to (a) find out why these districts were experiencing a loss of student population, (b) learn what sort of issues had resulted from this phenomenon, and (c) elicit information about any existing collaborative arrangements, alternative education delivery mechanisms, or other solutions.

Survey questions and results can be found in the Appendix to this report.

The study group also engaged in an active dialogue with officials from small school districts with declining enrollment. To that end, the group conducted three public hearings between May 10 and May 14, 2001. The hearings were held at geographically diverse locations in Marquette, Grayling and Kalamazoo. More than 100 school officials and other interested parties participated in the hearings.

Finally, the study committee also researched other rural states' efforts to address this issue.

Members of the study committee worked throughout the summer and fall to compile their findings and prepare a series of recommendations.

FINDINGS AND ASSUMPTIONS

During the course of its work, the study committee gathered a large volume of statistical and anecdotal information from school districts across Michigan. This section presents all findings and assumptions gathered and considered by the committee as it developed its conclusions.

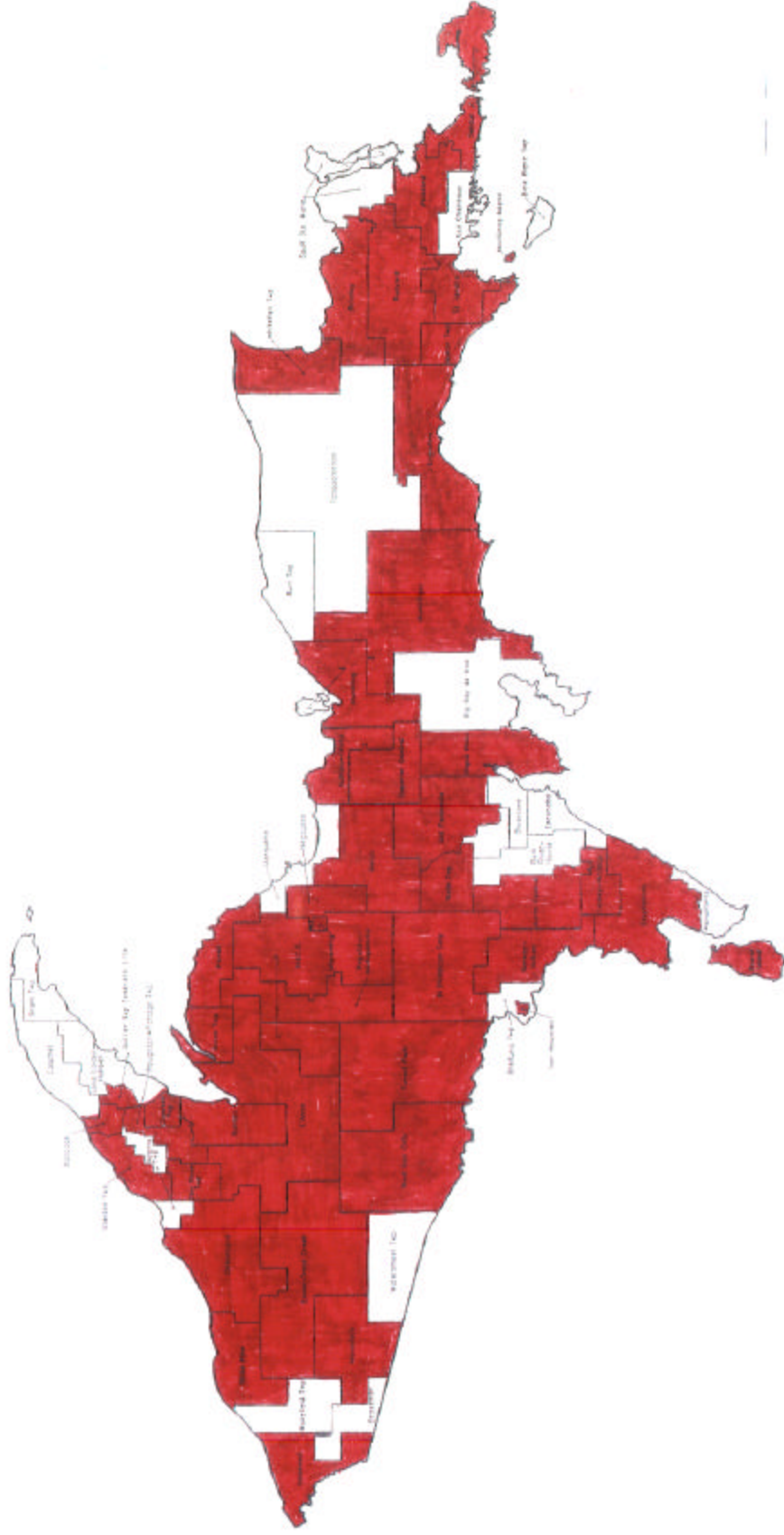
Geographic Location of Small Declining Enrollment Districts

The study committee found that small school districts with declining enrollment are, generally speaking, situated near one another in several geographic regions throughout Michigan. The following maps depict, in gray, the locations of these districts.²



² Source: Drenth, Kenneth G, "Summary and Compilation: Declining Enrollment District Data," March 2001.

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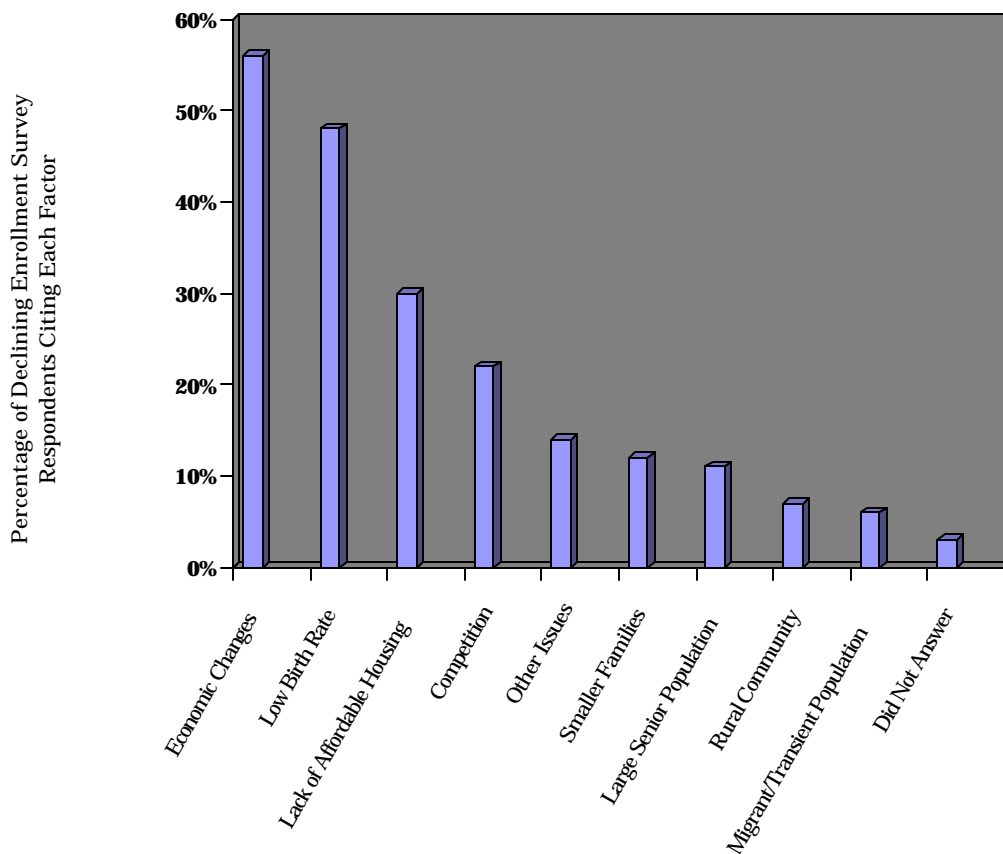


This map illustrates the distribution of school districts in the Lower Peninsula of Michigan based on enrollment trends. The red-shaded regions represent districts where enrollment is declining. These areas are widely distributed, covering significant portions of the Upper Peninsula and the central and southern parts of the Lower Peninsula. The map also shows districts with stable enrollment in yellow and increasing enrollment in white, providing a comprehensive view of the state's educational landscape.

Primary Declining Enrollment Factors

According to the study committee's survey, the primary reasons cited by districts for their declining enrollment situations were (i) low birth rates and (ii) the loss or lack of industry within the school district's geographic boundaries. The study committee therefore assumes these regional influences are most likely to play into the apparent geographic "clumping" of these school districts.

**FACTORS RESULTING IN DECLINING ENROLLMENT SITUATIONS
As Reported By Affected School Districts**



Economic and population shifts are particularly evident in the state's Upper Peninsula. According to testimony provided by Dr. Kenneth Drenth, retired superintendent of Les Cheneaux Community Schools in Cedarville, from 1980 to 1999 the average birth rate in 14 of 15 Upper Peninsula counties has declined by

approximately 28 percent. He asserts that the birth rate in this region will continue to decline in the future.³

Officials from Menominee Area Public Schools confirm these statistics, indicating that enrollment in Upper Peninsula schools is dropping by approximately 1,100 students per year, or 2.1 percent.⁴

Upper Peninsula school officials indicated to the study committee that the region is undergoing an economic shift. A survey returned by one Upper Peninsula district states that, "Historically, most of the jobs associated with the area dealt with iron and copper mining and the lumber industry. With environmental pressure, we now have ... the closing of the last of our mines. [This translates into] less people and fewer children."

These economic and population influences translate into difficult, immediate issues for individual school districts. In Ontonagon Area School District, for example, the closing of the White Pine Copper Mine has exacerbated existing enrollment problems. According to the district's superintendent, Ontonagon's student population has dropped by half, from more than 1,200 students two decades ago, to just over 650 students today.⁵

Other Causes of Declining Enrollment

As mentioned previously, the study committee assumes economic changes and population shifts are the primary factors that result in declining enrollment. There are, however, other issues at play that also must be considered.

Schools located in heavily agricultural communities, for example, assert the large amount of actively utilized or protected farmland makes it difficult to find room for developable properties. Likewise, several of the school districts responding to the study committee's declining enrollment survey indicated that the lack of affordable housing for working families was the primary cause of their difficulties. "Most of the property [in our area] has a very high price tag since it is purchased by the wealthy from downstate as a resort or 'escape' property," one such school wrote. "These people have no interest in our school."

A heavy concentration of migrant or transient workers also can play an important role. As one survey respondent wrote, "[Our] blended count...is falling because of

³ Drenth, Kenneth G., Presentation to the Governor's Committee to Study Declining Enrollment in Small School Districts, Northern Michigan University, 11 May 2001.

⁴ Zuraski, Francis M., Menominee Area Public Schools, to The Governor's Committee to Study Declining Enrollment in Small School Districts, Northern Michigan University, 11 May 2001.

⁵ Peterson, John W., Ontonagon Area School District, to the Governor's Committee to Study Declining Enrollment in Small School Districts, Northern Michigan University, 11 May 2001.

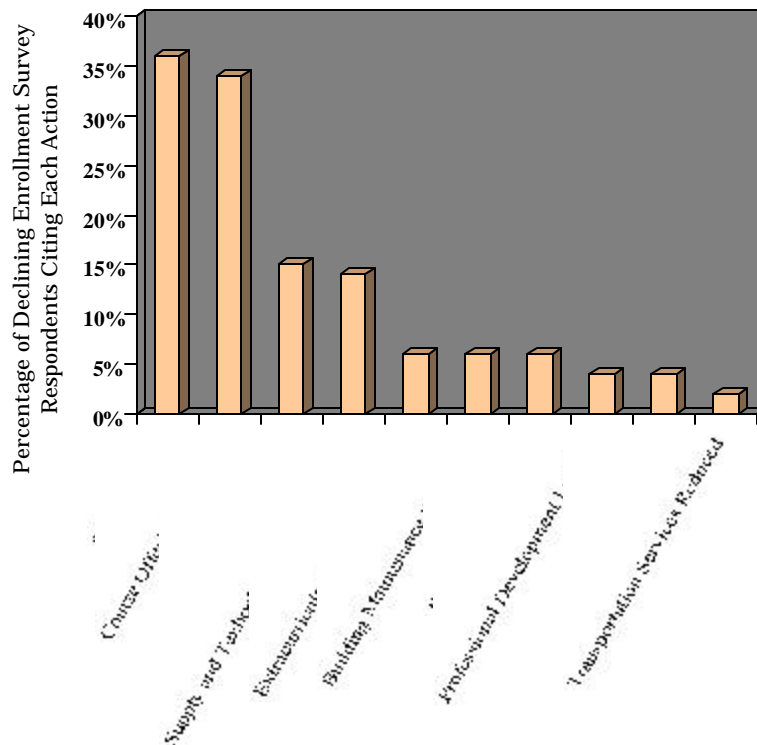
the huge drop we take between the fall and winter count days – 60 students or better...They come back in the spring, but only 50 percent are true migrants. About 30 percent of our students come and go during the year, many between the count days.”

Some school districts also have cited the creation of a competitive educational marketplace in Michigan as a relevant factor in their declining enrollments. As indicated previously, students and families are no longer held to firm geographic boundaries when it comes to choosing a public school; instead, most state residents now have the ability to decide among two or more state-funded K-12 schools. For the purpose of this report, however, the study committee chose to focus its efforts on resolving the questions facing declining-enrollment districts in which school choice did not play a primary or significant role.

Impact on Educational Quality

The testimony provided by officials from small declining-enrollment districts indicates that most affected school districts have implemented multi-pronged approaches to their financial issues. These approaches incorporate necessary budget cuts, program alterations, utilization of cash reserves, outsourcing and collaboration.

ADMINISTRATIVE TACTICS USED TO ADDRESS REVENUE LOSSES RESULTING FROM DECLINING ENROLLMENT As Reported By Affected School Districts



As noted above, school officials in many of the affected districts have implemented a series of budget reductions, largely in the areas of curriculum and instruction. District leaders have noted that non-instructional costs, such as infrastructure, maintenance, utilities and insurance, do not decrease proportionally to accommodate the number of students lost.

On this point, one survey respondent told the committee, “Small schools and large schools cannot operate under the same rules...In some cases, we have the same needs for support staff and administration for our students as do larger schools, [but] they can more easily afford to support programs because of numbers.”

Another respondent wrote, “It costs just as much to remove snow from a street with two homes as it does for one with ten homes. Schools are analogous! If we lose 30 kids, K-12, they are spread over 13 grades. Thus, we lose about \$200,000 and must provide the same number of teachers.”

Accordingly, districts have, when necessary and appropriate, eliminated staff and curricular offerings, reduced their budgets for textbooks and supplies, increased class sizes, outsourced custodial and other services, and closed buildings. It is fair to say that school districts that have been experiencing a declining enrollment situation for a longer period of time have implemented more substantial cuts than others.

Many affected school districts have noted difficulty in adjusting staff sizes to their declining enrollment difficulties. Students do not leave their schools in easily accommodated groups within a single grade or section. “The dollars go away at about \$6,500 per student,” said a survey respondent. “But we are unable to cut elementary classes when you only have one section per grade.” Another wrote, “Whether you have 15 students or 25, a teacher is needed.”

Clearly, it can be extremely difficult for schools to juggle or eliminate staff. However, in many cases this is precisely what these schools are doing, occasionally demonstrating great resourcefulness in the process. A number of school districts indicated their administrative and teaching staff members wear multiple hats. In fact, one Upper Peninsula school district described how its superintendent is teaching classes in an effort to fill staffing gaps.

It is worth noting, however, that not all school districts experiencing declining enrollment are at the point where budget reductions have become necessary. Of the schools responding to the study committee’s survey, roughly 20 percent indicated that the declining enrollment situation in their district had had only a small impact to date. These schools believe they have maintained educational quality despite the budget pressures they face as a result of this problem.

As one survey respondent indicated, “I do not feel [the declining enrollment problem] has impacted the quality of education...we have focused on quality and not quantity of services.” Other respondents indicated they were prevented only from expanding current programs, rather than being forced to make cuts.

Some small school districts with declining enrollment say they have experienced no meaningful change at all, though they expressed concerns about what is to come. One such district wrote, “Up to this point we have managed to maintain programs, as we were receiving relatively large foundation increases due to the low initial level of revenue at the time Proposal A was adopted. The problem will be from this point forward.”

In order to avoid making budget cuts, a number of the affected school districts say they have tapped into their fund equity in an effort to stave off significant cuts in their academic and extracurricular programs. These school districts are keenly aware that offerings such as music, art and after-school sports can serve to attract new pupils in an environment of school choice; thus, they are reluctant to eliminate these programs when declining enrollment is already a problem.

Generally speaking, schools target a total fund equity balance totaling 20 percent of their total annual budgets. In an April 2001 survey of declining-enrollment schools in the Upper Peninsula,⁶ the following results were received:

- Half of the 36 districts responding to the survey had more than 20 percent fund equity remaining.
- Six districts (16 percent) had between 10 and 20 percent fund equity.
- Fifteen districts had less than 10 percent fund equity. Of these 15, six districts were deficit spending.

Based on the results of its 2001 survey, the MASA concluded that, without receiving additional state monetary support, the majority of the school districts in the Upper Peninsula would have fund equity of three percent or less within the next three years.⁷

Despite the difficulties being experienced by many of the small declining enrollment districts reviewed by the study committee, educational quality generally remains high. Thirty-three small declining enrollment districts (15% of all such districts) received Golden Apple awards for achievement gains and outstanding performance in 2000. Twenty-four of these districts were similarly recognized in 2001, with eight districts receiving the Golden Apple award in both years.

Community support for these school districts also remains strong, with voters in many small declining enrollment school districts approving multiple bond issues during the past few years. In addition, a number of the affected school districts have entered into mutually beneficial school-community partnerships that allow for extra educational opportunities and funding at the local level.

Finally, although very few surveyed school districts addressed it, the committee also noted that teacher attraction and retention also is an issue for small rural districts across the nation.

Existing Solutions

Many declining-enrollment school districts have begun implementing programmatic changes that help them avoid budget cuts and reductions in educational quality. While these solutions have been tailored to the unique needs and opportunities of each individual district, some of them may have application in other districts.

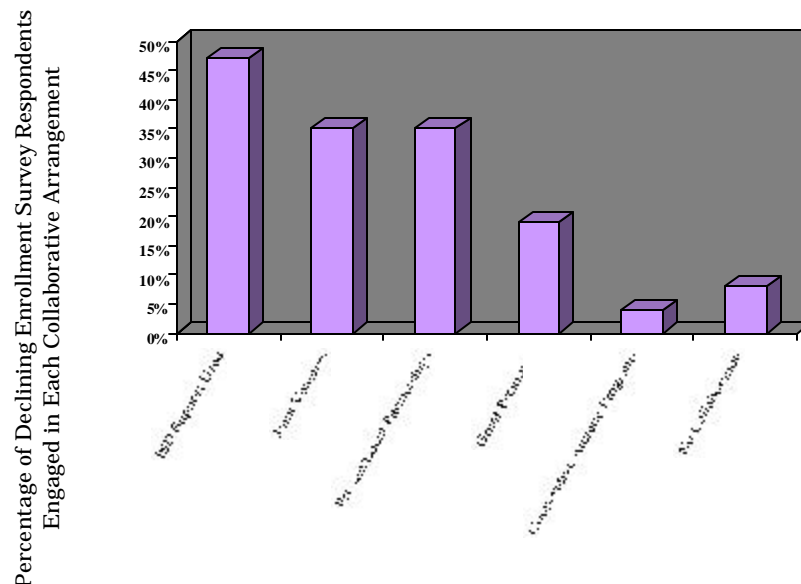
- Collaboration

⁶ Drenth, Kenneth G., "Updated Study on Declining Enrollment: For M.A.S.A. Region 1, Upper Peninsula of Michigan," April 2001.

⁷ Ibid.

This is the most widely implemented solution among small school districts with declining enrollment. Despite the competitive environment in which all Michigan school districts now operate, these schools have realized the benefits of sharing the costs and opportunities associated with certain administrative and academic programs. However, there is still more that can be done.

**COLLABORATIVE ARRANGEMENTS CURRENTLY USED BY
SMALL DECLINING ENROLLMENT DISTRICTS
As Reported By Affected School Districts**



According to the survey responses, schools appear to be receiving significant value from their local Intermediate School Districts (ISDs). These educational service agencies are handling a number of curricular, instructional and administrative functions on behalf of the small declining enrollment districts they serve. Specifically, ISD services are being used primarily in the areas of curriculum development and alignment, special education and skills center services, and some administrative support, including grant writing.

Schools also are working to establish positive relationships with one another, despite the competitive environment in which they function. In an effort to conserve dollars, schools are sharing the cost of an array of services, including instruction, administration and athletic programs. While some of these collaborative relationships have been in place for some time, survey responses indicated that still more are in the works.

Districts note these collaborative efforts allow them to provide educational opportunities beyond the “basics.” As one survey respondent indicated, “In a small district a majority of classes are basic, to meet local/state requirements and prepare for the Michigan Educational Assessment Program (MEAP). It

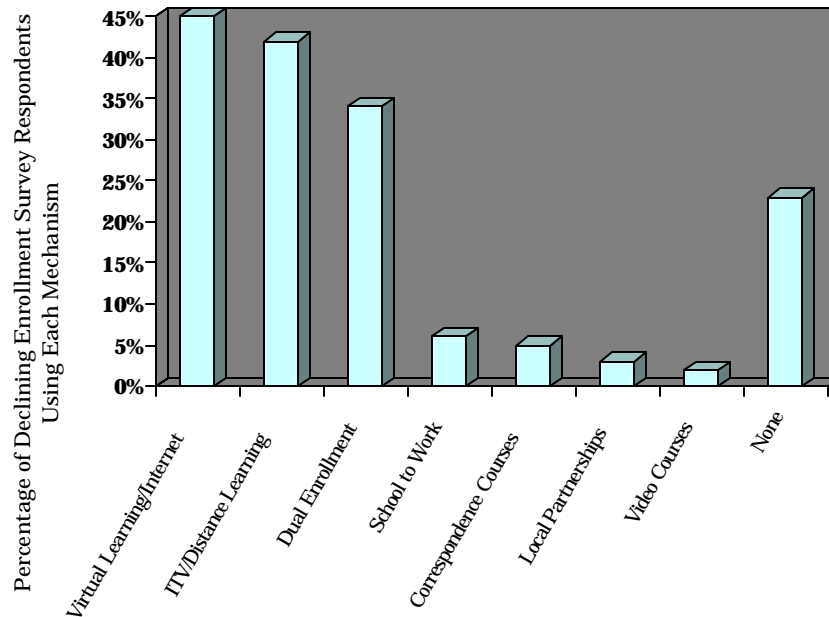
is the extras – the student interest areas, the alternative education needs, the technology preparation, and career preparation that are difficult to offer.”

Many schools also are looking to community organizations and other institutions for possible support. Local community colleges and other postsecondary schools are providing dual enrollment and other opportunities for learning and collaboration. Area businesses and community groups are supporting School to Work efforts and providing additional internship and funding opportunities for small declining enrollment districts.

One northern Michigan school has even established a partnership with a nearby Indian community for an innovative building trades program. The Indian community provides the site, materials and certification, while the school provides the labor and instructor.

Many small declining enrollment districts’ collaborative efforts have translated into direct learning opportunities for the students they serve. Often, collaboration seems to result in alternative education delivery methods that can help broaden the educational prospects of local school children.

**ALTERNATIVE EDUCATION DELIVERY MECHANISMS CURRENTLY
USED BY SMALL DECLINING ENROLLMENT DISTRICTS
As Reported By Affected School Districts**



- Distance Learning

Many schools have embraced distance learning as a means of providing high-quality educational opportunities, particularly to gifted and talented students. Distance interactive learning, generally called Interactive Television (ITV), is one means of sharing professional and curricular resources among school districts regardless of location. Students in one classroom listen to a live teacher while, miles away, students in another classroom are listening to and interacting with that same teacher at the same time via a live video link.

This valuable tool provides opportunities for students to participate in courses they would otherwise not be able to attend. An October 2001 *Newsweek* article described the success of other states' efforts to incorporate this type of technology in the classroom.

Teachers and students no longer need to be in the same place...the technology is two-way. Students can ask questions directly of the teacher. The teacher, meanwhile, can even shush a class. The French teacher in Mitchell, say, can spot a student in Mud Butte talking out of turn to a classmate, and lay down the law. In rural regions with tiny schools, "distance learning" is a lifeline to broader course offerings and topnotch teachers.⁸

⁸ Johnson, Dirk, "Next Frontiers: Special Report on Learning," *Newsweek*, 29 October 2001, 55.

Some small declining enrollment districts have expressed concerns about the use of distance learning, indicating their fear that some children with special needs could be left behind. Several school districts mentioned their concerns about this issue in their survey responses, indicating that these programs work well only for advanced placement or “high end” students. One respondent went so far as to say, “Students from poor family structures do not benefit from these types of programs and are not candidates for these types of classes.” Another indicated that they were really effective only for “highly motivated, self-directed learners.”

The other critical issue that school officials must consider as they evaluate this option is the cost of purchasing the necessary technology. In some school districts, where government surplus computers and other dated technology items already are being used, the cost of placing ITV or other distance learning technology into the classroom may be prohibitive.

A northern Michigan survey respondent addressed this issue directly, writing that “Some of the ‘alternative’ methodologies require implementation and maintenance dollars which can be as high, or higher, than those required for a standard class offering.”

- School to Work and Local Business Partnerships

Many small declining enrollment school districts have used local community partnerships and school to work programs to provide educational opportunities for students interested in vocational instruction. These unique collaborative arrangements provide opportunities for students to gain work experience within their communities, and offer local employers access to an alternative labor pool.

These programs have long been used and encouraged throughout Michigan but, for small school districts with declining enrollment, they take on new significance in that they provide valuable educational opportunities at a reduced cost to participating districts.

- Dual Enrollment

Community colleges and universities in Michigan, as well as the Michigan Virtual University/Michigan Virtual High School, provide opportunities for students with interest to gain higher education credits at the same time they are expanding their secondary learning opportunities.

For small declining enrollment districts that have limited advanced course offerings, this option provides them an opportunity to continue serving students most effectively without adding staff or instructional materials.

- Annexation/Consolidation

In many instances, small declining enrollment school districts have either considered or effectuated a consolidation with a neighboring district. While this solution may seem drastic, it can be an important means of providing the best possible educational opportunities to school children attending both districts. In particular, given the proximity of Michigan's small declining enrollment districts to one another geographically, annexation or consolidation appears, on its face, to be a logical solution.

There are some important considerations to be reviewed, however, before such a solution can be set in motion. First, many communities identify rather strongly with their local school districts and would vehemently oppose a move that would result in a loss of school district identity. Schools that find it necessary to pursue this course of action must proceed thoughtfully. Some districts have attempted to place consolidation questions on the ballot, only to have them defeated soundly at the polls.

Second, and perhaps even more challenging, many small declining enrollment school districts are extremely large geographically, particularly those in the Upper Peninsula. Children in that region are already riding the bus for several hours each day, covering districts that are as large as 1300 square miles in size.

In Powell Township School District, for example, the high school bus run takes an hour and 20 minutes *one way*.⁹ Not only does this result in high fuel and transportation costs for the school district; it also robs children of the vital time they need to grow, play and learn.

These practical considerations make consolidation difficult, at best. However, this solution may be perfectly appropriate for school districts in other parts of the state, where district size is less of an issue.

⁹ Manley, Jim, Powell Township School District, to the Governor's Committee to Study Declining Enrollment in Small School Districts, Northern Michigan University, 11 May 2001.

Other States' Experiences

Educational service delivery and declining student enrollment in rural areas are not problems that are unique to Michigan. The Education Commission of the States (ECS) recently reported that in 22 states, more than half of all rural schools lost students between the 1994-95 and 1997-98 school years.¹⁰

ECS notes these issues have particularly plagued school districts in predominately rural or agricultural states such as Louisiana, Idaho, North Dakota, West Virginia and Wyoming.¹¹

In Iowa, 70 percent of all school districts experienced enrollment declines between 1999 and 2000.¹² Recently proposed education reforms in the state have been linked to economic development. According to ECS, the Governor's office has said the state's future cannot depend on an economy built on low commodity prices and low-tech jobs, "a path that led to sagging family incomes and stagnant population growth, especially in rural areas and small towns."¹³ In response, the state has been working through a series of proposals to address educational issues and attract population back into the state.

ECS also describes how states are dealing with the teacher recruitment issues many declining-enrollment districts face.¹⁴

Rhode Island has extended to 90 days in a school year the period of time that retired teachers may act as substitutes. Oklahoma passed a law allowing substitute teachers whose certificates have lapsed or who have bachelor's degrees to teach up to 100 days a year. And Tennessee allows retired teachers to resume teaching without loss of benefits under certain circumstances.

Kentucky passed [a bill] which (1) defines areas of critical shortage in particular subject matters, at specific grade levels or in geographic locations; (2) implements the hiring of teachers in areas of critical shortage; (3) provides that a retired teacher may return to work in an area of critical shortage without loss of retirement benefits; and (4) permits school districts to hire retired teachers as full-time employees.

Other states have provided financial incentive programs to attract new staff.

ES reports that rural states have taken measures to address special education costs. Nebraska, for example, has established a Hardship Fund to allow districts in financial distress to borrow to offset such costs as an unusual number of special

¹⁰ Christie, Kathy, "The Rural Bellwether," *State Education Leader*, Winter 2001, 1.

¹¹ Ibid.

¹² Ibid.

¹³ Nichols, Greg, "Iowa Links: Education and Economy," *State Education Leader*, Winter 2001, 4.

¹⁴ Christie, op. cit., 1.

education students. New Hampshire also provides double weighting in its finance formula for each full-time student enrolled in a special education program.¹⁵

With respect to the larger issues at play, however, other rural states have struggled with the same concerns Michigan is now attempting to address. For some time, South Dakota has had in place a 20 percent small-school bonus that allowed many smaller districts to survive. This bonus has been up for review in 2001 and may not survive, forcing future consolidations to occur.¹⁶

The Iowa legislature also adopted an incentive program in 1993 in an effort to encourage rural districts to enter into collaborative arrangements with one another. In addition, the state's school finance formula has a mechanism designed to cushion the impact of enrollment declines over a number of years.¹⁷

Finally, many states, including West Virginia and Oklahoma, have sought to establish Internet resources for rural schools that are similar to the Michigan Virtual High School and Michigan Virtual University. But, according to *Newsweek* magazine, no school has undertaken an effort like that of South Dakota, where every school district in the state (public and non-public) is connected to one another as part of the Digital Dakota Network.

The network was completed last year after a massive four-year wiring and installation project that connected more than 400 buildings in a state that stretches more than 75,000 square miles. On the open market, the project would have cost at least \$100 million...[but] South Dakota relied on prison inmates for cheap labor.

It was the state's governor...who saw distance learning as a unique opportunity for little towns and schools in South Dakota to survive in a rapidly-changing world...now students in even the smallest South Dakota schools can take classes like French or calculus, even if there isn't a teacher of those subjects to be found for hundreds of miles around....South Dakota parents have watched as their children come home with impressive computer savvy.¹⁸

Recommendations from Affected School Districts

Nearly every school district contacted by the study committee indicated their desire to see the declining enrollment funding solution implemented in FY 2001 continued in future years. However, these districts offered other solutions as well.

The study committee found that school officials had a wide array of ideas for dealing with declining enrollment problems. These proposed solutions ran the gamut of possibilities and were difficult to categorize; in fact, in many instances the survey

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Johnson, op. cit., 56.

respondents directly contradicted one another, a fact which seems to emphasize the complexity of the problem.

For the most part, however, school officials were in agreement that they wanted to continue the three-year blended count formula; 45 percent of survey respondents listed this as their preferred alternative. However, nearly as many school officials (35 percent) felt it was more important to seek a new means of collaboration in order to conserve financial resources.

Other solutions ranged from the intriguing (e.g., “work to attract more industry to areas with declining population”) to the impossible (e.g., “encourage families to have more children”).

Officials proposed the following specific recommendations to one another and to the state:

Districts' Advice for Peers

- Consider establishing a foundation and/or find alternative revenue sources locally;
- Use a "no-frills" approach to instruction and emphasize staff accountability;
- Make greater use of interactive television (ITV);
- Develop and continue School to Work, Entrepreneurship and other programs;
- If affordable housing is an issue, consider selling district-owned land for development; and
- Consider outsourcing services.

Districts' Suggestions for State Policymakers:

The following is a list of testimony provided by local districts. It does not represent recommendations of the Governor's Committee to Study Declining Enrollment in Small School Districts.

- Work with local units and school districts to attract more industry to areas with declining population;
- Prohibit the establishment of charter schools in districts of 3000 or less;
- Eradicate home schooling, or provide better policing of home schoolers;
- Consider funding all aspects of local consolidation efforts;
- Encourage families to have more children;
- Minimize the grant process or provide a grant writer for each district w/ 100 pupils or fewer;
- Increase funding for small class size, other programs;
- Provide greater infrastructure assistance;

- Establish a statewide benefits package for school employees;
- Require all school bus purchases to be made at the state level;
- Implement another early retirement program for Michigan teachers;
- Provide state-funded teacher hiring incentives for small districts;
- Mandate teacher salaries;
- Provide subsidies for child care to student parents (or to schools);
- Make special education cheaper;
- Subject schools to fewer regulations;
- Develop a statewide base factor for fixed costs & minimum services;
- Create a low-interest borrowing program for deficit districts;
- Add provisions regarding racial balancing to Schools of Choice statute; and
- Better compliance with Headlee (no unfunded mandates).

One school official suggested that “the [declining enrollment blended count] funding be allowed to continue for another two years, but that the amount of funding be directly tied to corresponding efforts to adjust.”

RECOMMENDED ACTION STEPS

Based on the findings and assumptions described in the previous section, the study committee now proposes the following course of action:

1. We recommend that the Michigan Virtual University and e-Michigan work together to establish a rural schools electronic network to provide small declining enrollment districts with alternative solutions to gain greater access to instructional and professional development services;. These two agencies should utilize the services of the Michigan School Business Officials (MSBO), Michigan Association of School Boards and Michigan Association of School Administrators (MASB and MASA) to provide both content and support for the network.

The current Michigan Rural Education Association, located at the Van Buren ISD, does not have a presence on the Internet, but perhaps this group may wish to become involved with this particular initiative at some future date.

2. We suggest that rural school districts and the communities that surround them utilize a new program created by the Michigan Economic Development Corporation called the Community Assistance Team. It is self evident that some school districts cannot continue to exist unless the larger community and region can seize new opportunities for economic growth. Under the Community Assistance Team program, a team of experts spends several days in a community and region to develop an effective action plan for developing future economic opportunities. These realistic, specific plans have helped communities such as Chesaning to set forth on a goal-oriented, professionally crafted, community plan for economic growth.
3. We further suggest that state lawmakers and other officials work to refine the formula and fund sparsity supplement within Section 6 (4)(y) of the state school aid act.

The initial provision (post-veto) that started the study said that, for 2000-2001 only, if a district's membership under the standard calculation (20% of the prior February's count plus 80% of the current year's fall count) was less than 1600 pupils, the district's membership for payment would be the greater of:

1. The standard calculation OR
2. The average of the district's membership for the current year plus the prior two fiscal years.

The provision was modified. Those districts with less than 1550 pupils were still the target districts, but the extra calculation was further restricted to those target districts with 4.5 or fewer pupils per square mile. The estimated cost of the amended provision was \$4.3 million.

4. In addition, we urge intermediate school districts (ISDs) to help small, rural school districts that have large geographic boundaries explore alternative methods of providing educational services. This may mean the delivery of services in two different ways, such as:
 - a. Circuit Riders: In school districts that have extremely few students per square mile, the school district or ISD may employ teachers as “circuit riders” that offer quality educational programming. For example, a single high school physics teacher could be employed to teach the same course in three or four different school districts.
 - b. Twenty-First Century One-Room Schoolhouse: In geographically large school districts, teachers could provide educational services within the confines of several smaller facilities spread throughout the district. Township Halls, Rotary Halls, or VFW posts could be used during the day to provide instructional services where parents provide transportation a short distance and teachers who live nearby could be assigned to those facilities. This will likely only be viable under certain specific circumstances, but it should be explored as it can help reduce a district’s transportation costs and result in very intriguing educational opportunities, particularly for children in the elementary and middle grades. When possible, small, declining-enrollment districts should pursue classroom arrangements that incorporate multi-age and multi-grade configurations;

Along these lines, schools and communities in need of improved facilities may wish to consider leveraging their millage and operating costs by jointly funding the construction of a school/community center that can serve a variety of purposes.

5. We encourage small, declining-enrollment districts to work to establish cooperative arrangements for the performance of various “back-room” administrative functions. These may include accounting and payroll, human resources, pupil accounting, or other compliance functions. The cooperative agreements could cross ISD lines, or might even exist among like school districts at opposite ends of the state.

6. We encourage state colleges of education to offer coursework in rural education methods. This coursework should focus adequately on the role of a teacher in classrooms where multi-age, multi-skill and grade level differences are much more extreme than in a modern classroom setting.
7. We further suggest that certain school districts be authorized to hire “adjunct” faculty members. These are teachers who are hired for a specific course on a part-time basis. Retired teachers or people in the community could be used on part time basis to provide instruction within a limited scope. For example, the local editor of the weekly newspaper could be hired to teach a course in journalism or communications. The local accountant could be retained to teach a course in business math. This would require exemptions from both collective bargaining and certification requirements.
8. We ask the Michigan Department of Education to provide assistance to rural school districts so they may fully benefit from the new rural schools provisions contained in the Reauthorization of the Elementary and Secondary Education Act. The new ESEA provisions will provide rural school districts with flexibility in funding to improve student achievement and combine federal categorical funding sources to enhance technology, professional development, technical assistance, and teacher recruitment and retention.
9. We encourage the Legislature to establish minimum standards for ISDs. These standards could include minimum student population requirements, along with minimum service requirements including support for special education, administration, payroll, personnel, data entry, and other functions. Under such a plan, ISDs that did not meet the minimum size and service standards within a certain period of time could be required to consolidate. This action would ensure that all rural school districts have access to the same depth and level of ISD service.
10. We ask that the Michigan Department of Education determine whether cost savings would result if pupil accounting reporting methods were modified for school districts with fewer than 600 students.
11. We urge the Legislature to consider providing incentives to districts that consolidate by authorizing the use of the foundation allowance of the district that receives more money per pupil.
12. We believe it is of utmost importance that research and study regarding rural education issues not conclude with the presentation of this report. It is vital that rural education issues not be overlooked in the future. We therefore

encourage academicians and educational specialists throughout Michigan to consider this issue carefully.

13. We also encourage rural school districts to network with one another and support positive change in the research conducted by the Federal Government. When Congress authorized the Office of Educational Research and Improvement (OERI) in 1994 it pointed out that rural schools “enroll a disproportionately large share of the poor and at-risk students of the United States” and thus created a strong link between rural locations and “students at risk.” However, when most people think of the term “at risk,” they typically associate it with troubled inner-city youth. Clearly, this thinking must change, so that rural education can get its proper share of the ever-shrinking research funding pie.
14. Finally, we suggest that the Legislature consider revisiting the blended pupil count formula in order to provide greater equity for all schools. The 80/20 weighted membership formula currently in place gives an advantage to large, growing school districts and fails to acknowledge the difficulties being experienced by the smaller, declining enrollment districts included in this study.

We further suggest that small, declining-enrollment districts in Michigan may want to be represented more distinctively before the Legislature. The large school associations are handling a broad array of issues and often cannot properly emphasize the unique needs of small, typically rural school districts with declining enrollment.

APPENDICES